



February 12, 2003

The Honorable David Dreier
United States House of Representatives
237 Cannon House Office Building
Washington, D.C. 20515

RE: The Investment Tax Incentive Act of 2003

Dear Representative Dreier:

On behalf of the National Venture Capital Association (NVCA), I commend you for your introduction of H.R. 44, "The Investment Tax Incentive Act of 2003." I write to offer our support for this important legislation. It will help bolster desperately needed financing for our country's small, entrepreneurial companies, which create the majority of new jobs in this country.

I have participated in numerous formal and informal roundtable discussions with industry representatives, academics and policy makers regarding challenges faced by U.S. entrepreneurs and the role the federal government can play in contributing to their success. These discussions generated an indisputable consensus that access to adequate capital is an enabling element to a successful entrepreneurial venture. And simply stated, if the capital gains rate is lowered the amount of investment increases.

There has been a dramatic slowdown in new investments by venture capitalists since 2001. Between 1995 and 2001 venture capitalists financed an average of 1700 brand new companies per year. But last year only 706 companies received their initial round of venture financing. Furthermore, NVCA estimates that nearly \$85 billion of venture capital is sitting on the sidelines looking for investments. This targeted bill is effectively crafted to avoid the usual criticisms of a capital gains cut. By making it prospective there is no incentive to cash out of current investments; in fact, just the opposite, it brings new money into play.

NVCA represents more than 460 professional venture capital firms located throughout the United States. Most of the companies in which we invest are in the high tech arenas of the Internet, telecommunications, medical devices, and biotechnology. These sectors are now the bedrock of our economy and are literally changing the ways we work and live. It should be a national priority that we encourage these companies to expand and prosper.

I commend your leadership on this issue and I look forward to working with you to pass this important legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark G. Heesen".

Mark G. Heesen
President